



Republican Policy Committee

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Shameless Social Security Shenanigans

Not since the Chicago Black Sox scandal in 1919 when that team intentionally threw the World Series, has a greater fraud been perpetuated on the country. This time the guilty culprits are not willing to just sacrifice their own reputations and that of their team, but they are willing to go so far as to jeopardize the country's economic well-being and even the Social Security system itself. They are doing so by trying to claim that the budget plan Congress is poised to pass — that the Congressional Budget Office has ruled does balance — does not balance because of Social Security. In other words, they are not only cheating but arguing with the umpire when caught!

It's Like 'Deja Vu All Over Again'

At the October 20 meeting of the Senate Budget Committee, Committee Democrats exhumed the canard of Social Security as a reason for opposing the budget resolution. This was the same see-through strategy that Senate Democrats used earlier this year during the Balanced Budget amendment debate. At that time, it was used to cover the tucked-tail retreat of the "somersault six" Senators who switched from supporting a virtually identical version of a balanced budget amendment in 1994. Now the thin gauze of this argument is apparently being stretched even farther to try and cover the entire Democratic caucus' opposition to the Reconciliation bill that will produce a balanced budget in 2002.

Anyway You Score — Congress Hits a Home Run and Clinton Strikes Out

No wonder opponents of the Balanced Budget Reconciliation Act (BBAC) want to argue the call of CBO. As the CBO numbers below demonstrate:

- Congress' budget balances in seven years — SAFE!
- Congress' budget balances in ten years even under the Senate Democrat's hoax — SAFE!
- Clinton's budget does not balance in seven years — OUT ONE!
- Clinton's budget does not balance in ten years — OUT TWO!
- Clinton's budget breaks the all-time deficit record under the Senate Democrat's hoax — OUT THREE!

Even If They Add Innings to the Game, Our Budget Still Balances

Even if Senate Democrat's got Congress to agree to change long-standing budgetary policy, it wouldn't help their argument, because our budget still gets to balance — even taking into account Social Security's current positive cash flow surplus. Yet Clinton's deficit just grows and grows to the highest levels in history. With numbers like these, Clinton is shoo-in for the deficit Hall of Shame.

Budget Deficit Comparison

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Social Security Trust Fund Surplus	63	67	70	76	84	89	96	103	110	110
Clinton II Deficit	189	217	206	219	229	216	209	203	200	201
Congress' Budget Resolution Deficit	166	168	135	113	88	32	-13	-47	-91	-137
Clinton II Deficit w/o Social Security	252	284	276	295	313	305	305	306	310	311
Congress' Deficit w/o Social Security	229	235	205	189	172	121	83	56	19	-27

Sources: CBO, Senate Budget Committee

On Instant Replay They're Still Out

Yet, this kind of gamesmanship would be folly. As Senator Gorton noted last Friday, the respected Washington columnist Charles Krauthammer responded — not once but twice — to this strategy of using seniors as human shields while claiming to be protecting Social Security. The argument made by Senate Democrats was, he concluded, “a complete fraud.” In a column entitled, “Social Security ‘Trust Fund’ Whopper,” Krauthammer writes:

“In my 17 years in Washington, this is the single most fraudulent argument I have heard. I don't mean politically fraudulent, which is routine in Washington and a judgment call anyway. I mean logically, demonstrably, mathematically fraudulent, a condition rare even in Washington and a judgment call not at all.”
(Washington Post, 3/10/95; emphasis added)

When Senators Kent Conrad and Byron Dorgan replied in print to this charge, Krauthammer wrote again:

"Their response is even more fraudulent than their original argument. Conrad-Dorgan profess indignation with this 'pundit' who 'condones the use of the Social Security surpluses' for 'masking the size of the budget deficit.' Well, well. Where is their indignation with a president who does not just condone this practice but has carried it out three years in a row? By their own logic, the president, who is of their own party, has 'looted' the Social Security trust fund by \$47 billion in 1993, another \$56 billion in 1994 and plans to loot another \$60 billion in 1995. Makes you wonder about the sincerity of their charge. . . . Conrad-Dorgan's Social Security argument, writes Time magazine, 'is, to put it politely, mendacious nonsense.'"
(Washington Post, 3/24/95; emphasis added)

It still is — in fact, only more so.

Changing the Rules in the Middle of the Game.

Either Senate Democrats do not understand the current budget structure or they are seeking to change it now that they are on the losing side. The fact is, the Social Security trust fund continues to be operated as it has since its inception. As the 1994 Green Book (published by the U.S. House Committee on Ways and Means, which was under Democratic control at the time), considered the authoritative handbook on the operations of federal entitlement programs, states about the trust fund's operation:

"Part of the confusion arises from a lack of understanding that OASDI taxes are not deposited in trust funds and OASDI benefits are not paid from trust funds. OASDI taxes are deposited in the Federal Treasury like other taxes and become part of the general pool of funds through which the Government functions. . . . The trust funds themselves receive credit for the revenues when the Government receives them, usually in the form of postings of non-marketable, interest-bearing Federal securities. Conversely, when the Government makes expenditures for trust fund programs, the money is paid from the Treasury, and the securities posted to the trust fund are reduced by a corresponding amount. Simply stated, the OASDI trust funds are given IOUs when OASDI taxes are received by the Treasury, and those IOUs are taken back when the Treasury makes expenditures on the program's behalf."

(1994 Green Book, pgs. 90-91)

Not only does the trust fund operate as it always has, it is treated in the federal unified budget in the same way it has been for nearly three decades, per the recommendation in the

Report of the President's Commission on Budget Concepts in 1967. To quote two publications since President Clinton took office:

"Under budget concepts set forth in the 'Report of the President's Commission on Budget Concepts', a comprehensive budget in which receipts and outlays from federal and trust funds are consolidated. . . The unified budget should, as conceived by the President's Commission, be comprehensive of the full range of federal activities."

(*"A Glossary of Terms Used in the Federal Budget Process,"* GAO Exposure Draft, January 1993, p. 84)

"The budget documents provide information on all Federal agencies and programs. The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and off-budget receipts and outlays. By law, the receipts and outlays of Social Security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund are excluded from the budget totals and from the calculation of the deficit for Gramm-Rudman-Hollings Act purposes. The off-budget transactions are separately identified in the budget. The on-budget and off-budget amounts are added together to derive totals for the Federal Government."

(*The Budget System and Concepts of the United States Government,* GPO, April 1993, p. 7)

What Senate Democrats are trying to do is to create an artificial deficit in order to protect the current one. Their idea of subtracting out an entire portion of the unified budget would render the federal budget meaningless. For that reason no President and no Congress has followed this course — not the current President and not the last Congress, which was controlled by President Clinton's own party.

In addition, such an exercise would not stop there. Every program would line up for its own exemption. In fact, with this approach the budget could be balanced tomorrow with no savings, no taxes, and more spending — we just declare the deficit itself off-budget by creating an "official budget" that does balance while hiding all our borrowing in some off-the-books account.

Asking Social Security to Catch Without A Mask

Not only does this hoax make no sense from a budgetary standpoint, it is downright dangerous for Social Security. Basically Senate Democrats are asking Social Security and the seniors to go out and catch nine innings without any protective gear. Consider what would happen if Social Security were to be completely sequestered away from the fiscal discipline and accountability of the budget.

What would happen when the demographic shift that we know to be approaching occurs and the Social Security trust funds begin to run deficits? Again, looking to the 1994 Green Book:

"Total income is estimated to fall short of expenditures beginning in 2019 and continuing thereafter, under the intermediate assumptions. In this circumstance, trust fund assets would be redeemed to cover the difference. The assets of the combined OASI and DI Trust Funds are estimated to be depleted under present law in 2029 based on intermediate assumptions."

(1994 Green Book, p. 98)

If Social Security were hidden away off-budget and exerting no influence on the federal deficit, what would be the incentive for Congress to act — especially when such action would require increasing the deficit to spend government money to help out Social Security? And so, what are Senate Democrats saying to today's 33-year old who will be looking to retire in 2029?— Trust us? How good an idea is it to play games with America's retirement plan?

Caught Stealing A Base Again (Out By Even More Than Last Time)

Having gotten caught once, you'd think that Senate Democrats might be a little more reluctant to try swiping another base. However, they are out by an even bigger margin this time.

Hard as it may be to believe, these shameless Social Security shenanigans are actually a bigger fraud now than they were earlier this year. At least in the earlier debate, some Senate Democrat's claimed to support a balanced budget. However, the complaint this time is that there is too much deficit reduction! As Senator Gorton put it at the October 20 Budget Committee meeting:

"The argument is particularly fraudulent because it is not the position of the party on the other side of the aisle that we have not cut spending enough or that we have not raised taxes high enough to balance the budget. They are protesting this bill because it cuts spending too much. And yet they come up with the argument, on the other hand, that it does not cut it enough."

There Is No Joy In Mudville

The Democrats' Social Security hoax is akin to sending a little leaguer to the plate. They're trying to get on base with a gimmick — playing to the crowd with a publicity stunt because they can't put a team on the field.

Once again, the Democrats with their Social Security fraud have swung and missed — at balancing the budget, at cutting spending, or even at protecting Social Security as they claim. That's three strikes and you're out!

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